Interest Rate Hikes Aren't a Match for These 3 Growing Dividends

Description

Rising interest rates lead to increased expenses, which erode profitability of companies and hurt the underlying stock prices. As a result, rate hikes could have a negative impact on your portfolio's returns. One way to offset this is by investing in strong, growing dividends.

The three stocks here have a record of paying and increasing dividends, which will allow you to grow your income, and you won't have to worry about what happens with interest rates.

Capital Power Corp. (TSX:CPX) is a large power producer in North America, and the company currently pays a strong dividend of 6.6% annually. Not only does Capital Power have a great yield at over 6%, but the payout has grown over the years as well. In 2013, the quarterly dividend payment was $0.315 and has since grown to $0.39 — a total increase of 24% in just four years.

Capital Power's dividend is fairly safe as the total annual payment of $1.56 per share is just 67% of the company's earnings per share in the past 12 months, which has totaled $2.31.

The company's stock currently trades around 11 times its earnings and below its book value, making it an excellent option for value investors as well.

Alaris Royalty Corp. (TSX:AD) provides financing to companies, and currently the stock is returning an incredible dividend of 8%. A high dividend rate will likely raise eyebrows and concerns about sustainability, and with earnings per share of $1.66 in the past 12 months, the company's payout ratio currently sits at 97%.

Although the payout ratio is high, being a financing company suggests higher payouts may be acceptable given the company's low need for ongoing capital investment. In addition, if the company continues to grow, the payout ratio will shrink as a result.

Alaris has not seen a dividend hike since 2015, and one might not be coming soon. However, if welook back to 2013, the company was paying $0.105 per share compared to 0.135 now for an increaseof over 28%. It may take some time before dividends are increased again, but the company has showna commitment to growing dividends by increasing its payouts several times in the past eight years.

Alaris currently trades at 12 times its earnings and just 1.1 times book value. The stock is not overvalued, and with a share price that has dropped over 15% year to date, it may present an excellent opportunity to buy low.

CI Financial Corp. (TSX:CIX) is a wealth management company, and it currently pays an annual dividend of about 5.4%. CI Financial recently hiked its dividend payment to $0.1175 a share, up from $0.09 four years ago for an increase of over 30%.

The company has posted earnings per share of $1.84 in the past 12 months, meaning CI Financial currently pays out 76% of its profits for a very manageable distribution ratio.

This stock is the priciest of all three with a price-to-earnings multiple of over 13 and the share price at almost four times its book value.

Bottom line

Your portfolio can benefit from any and all of the stocks mentioned here. All of the above companies pay dividends of over 5% and have a history of growing payouts as well. In most cases, you would be happy enough just finding a 5% dividend, but one that could also grow over the years makes the stock an even better investment.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:AD.UN (Alaris Equity Partners Income Trust)
2. TSX:CIX (CI Financial)
3. TSX:CPX (Capital Power Corporation)

PARTNER-FEEDS

1. Msn
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